



Don Nickles, Chairman
Contact: Gayle Osterberg 202-224-6011

June 26, 2003

NICKLES OFFERS BIPARTISAN AMENDMENT TO REDUCE TAXPAYER SUBSIDY OF WEALTHIEST SENIORS

Amendment would impact only the wealthiest 2 percent of seniors

WASHINGTON—Senate Budget Committee Chairman Don Nickles today offered a bipartisan amendment reducing taxpayer subsidies of wealthy seniors' routine health care under Medicare.

Medicare has two components - one part covering hospitals and one part covering physicians and lab services. Individuals pay into the hospital portion of Medicare during their working years through a 2.9-percent tax on their payroll.

"This amendment doesn't touch that part of Medicare," Nickles said. "All taxpayers have paid for it, and they are entitled to receive those benefits, regardless of income level."

But the physician portion is an optional plan seniors can buy once they qualify for Medicare. One-fourth of the monthly premium cost is paid by seniors enrolled in the program. The other three-fourths of the premium is subsidized by the government's general revenues - mostly income taxes. Seniors receive the same 75-percent subsidy regardless of income.

"It makes no sense to ask a low-income taxpayer to pay for someone like Michael Jordan or Bill Gates to have a routine physical," Nickles said. "What we are asking is that the wealthiest seniors - only the top 2 percent - pay more of the cost of their monthly premium."

Nickles, along with Sen. Lincoln Chafee (R-RI) and Sen. Dianne Feinstein (D-CA), offered the amendment to the Medicare bill the Senate is currently debating. The amendment would only impact seniors earning more than \$100,000 annually (or couples with earnings exceeding \$150,000 annually) - about 2 percent.

"This is a responsible proposal. Our ability to provide Medicare to future generations is in jeopardy. It is an over-promised, underfunded program with unfunded promises of \$13.3 trillion.

"As Congress considers adding an expensive new drug benefit to an already financially shaky program, we would be derelict not to consider options for making the system more affordable for future generations. Asking the very well off to pay a little more for their insurance is at least a small step toward a more financially sound program," Nickles said.

Feinstein-Chafee-Nickles Amendment Details

- ▶ As under current law, individuals with income below \$100,000 (\$200,000 for couples) would be responsible for 25 percent of the total cost of the premium (\$58.20 monthly, \$698.40 annually in 2003).
- ▶ Individuals with income between \$100,000 - \$150,000 (\$200,000 - \$300,000 for couples) would be responsible for 50 percent of the total cost of the premium (\$116.40 monthly, \$1,396.80 annually in 2003).
- ▶ Individuals with income between \$150,001 - \$200,000 (\$300,001 - \$400,000 for couples) would be responsible for 75 percent of the premium (\$174.60 monthly, \$2,095.20 annually in 2003).
- ▶ Individuals with income above \$200,000 (\$400,000 for couples) would be responsible for 100 percent of the total cost of the premium (\$232.80 monthly, \$2,793.60 annually).
- ▶ Income limits would be indexed to medical inflation.

NOTE: The Senate voted 70-30 in support of a similar provision as part of the Balanced Budget Act of 1997.